

Mtarfa

30th June 2020

The Director,  
Department for Local Government,  
26/28, Archbishop Street,  
Valletta VLT 2000.

Dear Mr. Galea,

**Mtarfa Local Council – Report to Management for the financial year ended 31st December 2019**

The Council notes with satisfaction that the following issues reported in last year's management report have been addressed:

- Income not recorded in the appropriate period
- Personal Tax deductions and submission of FSS forms
- Tendering Procedures
- Expired tenders
- Twinning project report
- Capital expenditure vs revenue expenditure
- Accounting for disposals
- Stock of booklets
- Accrued income
- Overpayment to suppliers

The Council is including comments regarding the other issues in its reply to this year's management report:

**2 INCOME**

- 2.1 The Mtarfa Local Council has noted the auditor's recommendation with regards to Supplementary Government Income.
- 2.2 The Council has noted the auditor's recommendation with regards to General Income.
- 2.3 The Council noted the recommendation made by the auditor in respect of incorrect classification of funds (Income from EU Programmes).

- 2.4 The Council will take up the auditor's recommendation to accrue income only once an approval is provided and a written agreement is signed by all parties (Accrued income).
- 2.5 The Council will ensure that all income from byelaws is separately disclosed in the financial statements (Income from byelaws).
- 2.6 The Council shall do its utmost to abide by the Local Council Procedures (1996) regarding the frequency of bank deposits although as reported, the Council deals with very small sums of money. Moreover the cash is kept in a safe deposit box in the Executive Secretary's office until it is picked up by the courier (General Income).
- 2.7 The Council will ensure that in future all invoices relating to LES administration fees are issued correctly and that there are no mispostings, as recommended (Income from LES administration fees).
- 2.8 We fully comprehend that local councils are required to issue the regional committee and LESA invoices in the first week of the following month and we will ensure that this is done in the future (Income from LESA and regional committees).
- 2.9 The Council shall do its utmost to abide by the Local Council Procedures (1996) regarding the frequency of bank deposits although as already reported above, the Council deals with very small sums of money and it is not cost-worthy to effect them on twice-a-week basis (Custodial receipts).

### **3 EXPENDITURE**

- 3.1 The Council noted the auditor's recommendation regarding the petty cash payments and receipts including a detailed description of items and the suppliers (Petty cash payments).
- 3.2 The Council noted that a number of purchases were done without the 3 quotations and we will try our best to ensure that in future we do not effect any purchases prior to obtaining them. One is to also keep in mind that certain services are sometimes needed within a few days notice only whereas some others, such as in the case of Benjamin Camilleri, this is for a service which requires expertise in indigenous plants and which is not easy to find (Procurement procedures).
- 3.3 What is reported with regards to the contract for All Buildings Limited is very true but in this case we had issues with the contractor, who refused to sign the contract which obliged him to present us with 2 guarantees. We thus had to put everything on hold until we received the way forward from DLG and DoC (Contracts).
- 3.4 The Council fully understands that we should not operate with an expired tender but we were awaiting a reply from the PRCB due to a lodged appeal during the tendering process (Expried tender).
- 3.5 The Mtarfa Local Council will continue to put pressure on the Joint Committee for timely audited financial statements (Joint Committee).

- 3.6 Council shall ask the Majjistral Local Action Group Foundation to prepare the audited FS and to undertake an annual cost/benefit analysis of its membership to assess the value of this outlay (MAG Membership).
- 3.7 The Council shall undertake the recommendation of the auditor and we will be reviewing the insurance cover in order to have adequate cover and include the replacement cost of the assets as well (Insurance policy).
- 3.8 It is true that the personal accident insurance is extended on a worldwide basis but this only covers Councillors and staff on confirmation in writing by the Executive Secretary whenever any trips taken are related to Council visits (Personal accident insurance).
- 3.9 The Council is aware that the expenditure for Jum l-Imtarfa should not exceed the sum of €3500 but it was decided by Council that certain expenses could not be held in order to ensure that the proposed activity could be held in an adequate manner (Expenditure for locality day).
- 3.10 We have noted the auditor's recommendation about the rent expense and we shall be investigating the possibility to perform an IFRS 16 assessment (Rent).

#### **4 PAYROLL**

- 4.1 We shall ensure that all submitted documentation is thoroughly checked and all amounts are correctly declared (Reconciliation of wages).
- 4.2 The Council will ensure that in future all FSS forms agree to the payroll expenditure in the accounts (Disclosure of ES's salary)
- 4.3 The only overtime that is paid is for the APO's hours on Saturdays and for evening activities organised by the Council. Although they are not approved during the Council meetings, the Council understands that the hours are needed and thus justified. All overtime is approved, checked and confirmed by the ES.

#### **5. FIXED ASSETS**

- 5.1 The Council shall endeavour to check all assets and tag any items that have not been tagged as yet (Tagging of fixed assets).
- 5.3 The Council shall do its utmost to provide a description for all the assets and their exact location especially ones that are dated from 2020 onwards. At the same time one must appreciate the time needed to do such an exercise for old items since we would need to go through a huge amount of archived files with the very restricted amount of employees that we have. One must also appreciate that many items were bought well before any of the administration started working at the Council office and thus it is not always easy for us to determine such information. (Upkeep of FAR).
- 5.8 We shall try our utmost to identify the differences in the net book value of the fixed assets register and correct them during 2020.
- 5.10 We shall try our utmost to identify which old items are obsolete and write them off. All items that were scrapped during these past 8 years have been approved during a Council Meeting (Obsolete assets and disposals).

- 5.12 We have noted the mistake in registering the reception refurbishment twice and will ensure that this mistake is not repeated (Additions in FAR).
- 5.14 We have taken up the recommendation of the auditor and approved the adjustment (fixed asset additions).
- 5.16 We have brought the recommendation of the auditor to the accountant and will not capitalise costs which are of an expense nature in the future (Assets under construction).
- 5.20 The Council will do its best to ensure that the plant register is updated to agree to the nominal ledger (Depreciation of fixed assets).
- 5.22 DLG has not requested reimbursement and in fact these should be transferred to Other Government Income.

## **6. INVENTORY**

- 6.1 The Council has noted the auditor's recommendation and will look into insuring the Woodland booklet and photobooks (Stock insurance).
- 6.2 The Council shall also look into considering write-offs or provisions of the books if they are not sold (Net realisable value of inventory).

## **7. TRADE AND OTHER RECEIVABLES**

- 7.1 The Council will ensure to pursue the debtors by sending reminders (Overdue receivables).
- 7.4 The Council has taken note of the recommendation of the auditor (Pre-regional LES debtors).

## **8. BANK AND CASH**

- 8.1 The Council shall ensure that in future we will review the list of unpresented cheques and will investigate those that are outdated (unpresented cheques).

## **9. TRADE AND OTHER PAYABLES**

- 9.1 The Council will do its utmost to ensure that more suppliers send monthly statements to ensure proper recording of creditors (Supplier statements).
- 9.3 This was just an overpayment/credit note received from supplier, and reclassification was carried out until such debit balance is set off with new invoices received from supplier.
- 9.5 The Council will carry out more regular reconciliations in order to prevent mistakes (Confirmation of trade creditors).
- 9.7 A reconciliation of amount due to creditor will be carried out in 2020 and any excess balances written off.

- 9.9 The Council noted the auditor's recommendation and approved the adjustment (Accruals).
- 9.13 Such invoices, although dated 2019 were received in 2020 after the accounts as at 31/12/2019 had already been finalized.
- 9.15.1 Grant received re Clock Tower project has been reclassified as an advance payment in the audited Financial statements.

## **10. ELECTRONIC SITE**

- 10.1 The Council is aware of the requirements and will ensure that all documentation is uploaded on the site within 3 working days.
- 10.2 We have taken note of Circular 21/2019 to upload the management letter and will ensure that it is uploaded in the future.

## **11. SCHEDULE OF PAYMENTS**

- 11.1 We have taken note of all the recommendations of the auditor and will ensure that payment lists are uploaded in pdf format, the reference number is included in the minutes and all details are included (Schedule of payments).
- 11.7 The Council notes the recommendation of the auditor and will ensure to include all cancelled cheques on the payment list. All cancelled cheques are kept stapled to the relevant stub (Approval of Schedule of Payments).

## **12. MEETINGS**

- 12.1 We have noted the recommendation of the auditor and will start off where we left in order to bind all the minutes from these past years. Although they are not bound, all minutes are filed chronologically and kept up to date (Binding of minutes).

## **13. FINANCIAL STATEMENTS**

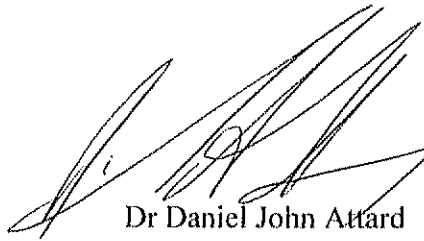
- 13.1 The Council has asked the accountant to ensure that FS are prepared in accordance with the IFRS and all necessary disclosures should be undertaken as required.

## **14. COMPARISON WITH ANNUAL BUDGET**

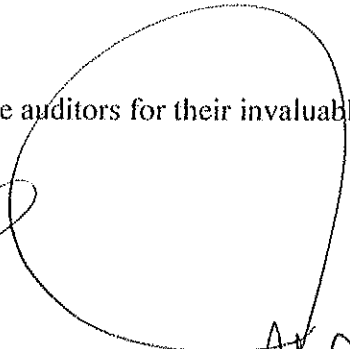
- 14.1 We have noted the recommendation of the auditor and will compare budgeted figures to actual figures on a quarterly basis.

**CONCLUSION**

The Council would like to thank the auditors for their invaluable contribution.



Dr Daniel John Attard  
Mayor



Ms Josette Micallef  
Executive Secretary

c.c. Auditor General, NAO  
Grant Thornton